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## Targeting Hezbollah's Broader Ecosystem of Power

Hanin Ghaddar

Friedmann Senior Fellow  
The Washington Institute for Near East Policy

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Chairman Mast, Ranking Member Meeks, and honorable members of the House Foreign Affairs Subcommittee on the Middle East and North Africa, I am honored to testify before you on U.S. policy toward Lebanon, opportunities to dismantle Hezbollah's power, and policy tools to strengthen the state's institutions and move toward sustainable peace between Lebanon and Israel. After a cease-fire agreement ended conflict between Israel and Hezbollah in November 2024, the group found itself struggling on many fronts. Hezbollah has become a shadow of itself—its military infrastructure was shattered, its command framework obliterated, its Shia community has been scattered as refugees across Lebanon, and it has little financial capability to rebuild and reconstruct. On top of all this, one needs to add the huge loss of its ally in Syria, which disappeared with the fall of the Assad regime and the forced exit of Iranian proxies from that country.

Still, despite all these factors, Hezbollah did not collapse. Instead, this critical situation forced the group into survival mode, defined by avoiding retaliation against Israeli strikes for now while focusing on the buildup of its financial and political infrastructure, and hoping the Iranian regime survives and resumes its financial and military support. During my testimony, I will analyze Hezbollah's remaining pillars of power, its financial and political strategies to maintain this power, and the challenges standing in the way of disarming and containing the group. I will also provide policy options to thwart Hezbollah's efforts to rebuild itself and influence state institutions, curtail its cash flow, and help move forward with the disarmament process.

### **Hezbollah's Ecosystem of Power**

Much of the current international focus is on Hezbollah's possession of weapons, but these assets are just one part of a wider ecosystem that allows the group to maintain power within state institutions, ensures a continued cash flow into its coffers, and enables it to rebuild its broken military infrastructure. This ecosystem is what keeps Hezbollah alive today, and any disturbance to the system's flow could lead to its collapse. Accordingly, if Hezbollah loses its cash flow and political influence within the state, it will not be able to sustain its arsenal.

As all eyes are on the disarmament process carried out by the Lebanese Armed Forces (LAF), Hezbollah has been quietly focused on other tools. The group's arms are the most dangerous threat to Lebanon and to U.S. allies in the region, mainly Israel, and the disarmament plan should move forward swiftly and according to a clear timeframe,<sup>1</sup> which is yet to be set by the Lebanese government. But it is important to note that Hezbollah's ability to rebuild is determined by financial and political infrastructure, without which the group's weapons would be both obsolete and ineffective. This infrastructure is essential for Hezbollah to rebuild its military infrastructure, revive its command structure, and maintain its support base. Despite domestic and regional challenges, Hezbollah has managed to maintain the financial and political foundation needed for its survival.

Hezbollah's plan thus far has been threefold:

1. **To secure appointments within state institutions** that are important for maintaining cash flow and military buildup. After the ceasefire agreement in November 2024 and the government formation in February 2025, Hezbollah still managed to secure key appointments such as head of General Security Hassan Choucair, deputy head Murshed Haj Soleiman, and Finance Minister Yassin Jaber, in addition to maintaining key people in the Customs Department. Most of these are affiliated with Hezbollah's longtime ally the Amal movement, headed by Speaker of Parliament Nabih Berri, who played a key role in securing these appointments.
2. **To diversify cash flow** and empower the cash economy,<sup>2</sup> which has effectively replaced the formal banking sector since the latter's decline in 2020 due to Lebanon's hard default and the financial crisis that followed. Accordingly, there has been an uncontrolled proliferation of cash and very few efforts to contain it. Last November, Undersecretary for Terrorism and Financial Intelligence John Hurley stated that Iran has managed to send about \$1 billion to Hezbollah despite sanctions.<sup>3</sup> These funds, most of which come from the sale of Iranian oil, are channeled through exchange houses and private companies (often located in the United Arab Emirates) and then moved to Lebanon informally through the hawala system.<sup>4</sup> Some funds are also smuggled via Turkey and Iraq, using passengers on commercial flights.<sup>5</sup>
3. **To rebuild its arsenal internally** and quietly while using the remaining smuggling networks to secure weapons transfers from Iran via Syria. Although the decline of smuggling has been noticeable in the last year, the new Syrian government still cannot control the whole length of its border with Lebanon, and smuggling remains an urgent concern.<sup>6</sup> Without border demarcation between the two countries, this will continue to be a problem.

Although these gains did not bring back Hezbollah's prewar power and might, they are helping the group survive, rebuild, and defy disarmament efforts. Yet most international efforts have been focused on the military and security aspects of Hezbollah, and internally, the Lebanese government is not pushing hard against Hezbollah's three pillars of power: the disarmament process, the cash economy, and the political influence within institutions.

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<sup>1</sup> <https://www.washingtoninstitute.org/policy-analysis/without-hezbollah-disarmament-deadline-lebanon-should-face-repercussions>

<sup>2</sup> <https://www.washingtoninstitute.org/policy-analysis/cash-cabal-how-hezbollah-profits-lebanons-financial-crisis>

<sup>3</sup> <https://www.timesofisrael.com/us-official-iran-funneled-some-1-billion-to-hezbollah-this-year-despite-sanctions/#:~:text=US%20official%20Iran%20funneled%20some,that%20have%20battered%20its%20economy.>

<sup>4</sup> <https://www.wsj.com/world/middle-east/iranian-funds-for-hezbollah-are-flowing-through-dubai-85785a77>

<sup>5</sup> <https://www.washingtoninstitute.org/policy-analysis/cash-cabal-how-hezbollah-profits-lebanons-financial-crisis>

<sup>6</sup> <https://israel-alma.org/hezbollahs-weapons-recovery-efforts-in-syria-january-2026/>

## Challenges to Disarmament

In his inaugural address in January 2025, Lebanese President Joseph Aoun declared that the state would have a monopoly over all arms.<sup>7</sup> In August, the government under new Prime Minister Nawaf Salam stated that it had tasked the LAF to develop and implement a plan in support of this goal. In other words, it took a full year to realize this first part of the disarmament plan, focused on the sector south of the Litani River. As of this writing, the plan does not have any timeline for its subsequent five phases covering the rest of the country.

What is certain, though, is that the Lebanese government and LAF will not confront Hezbollah militarily, and that Hezbollah will not disarm, meaning we have reached an impasse that will only be resolved in the case of two scenarios:

1. A real change in Iran, or a regional strategic shift in which the Iranian regime orders Hezbollah to surrender its arms. This will depend on developments between the United States and Iran.
2. The Lebanese government and the LAF are forced to confront Hezbollah as they move to phase 2 of the disarmament process, that is, north of the Litani River. This would be a real test for the LAF because Hezbollah has repeatedly refused to disarm anywhere north of Litani. Lebanon's leadership will have to make a choice: confront Hezbollah, or abandon disarmament, the ceasefire agreement, and international support, thereby risking another war with Israel.

So far, Lebanon has not been forced to make this choice, but whatever happens in Iran could impact Hezbollah's calculations. Sources close to Hezbollah have told me that the group feels very vulnerable today, fearing that Israeli military operations may soon target its military infrastructure in its southern Beirut stronghold of Dahiya. Hezbollah is also facing the potential loss of Iranian support due to threats of U.S. military action against the regime. Even if Tehran manages to entice Washington into some sort of negotiated deal to avoid collapse, Hezbollah fears its weapons would be a price the regime is willing to pay to survive.

This vulnerability is a great opportunity to double down on Hezbollah's weapons and the disarmament process. There are several policy tools that the Trump administration could use to help Lebanon move swiftly with that process.

1. **Release a formal U.S. assessment of the LAF's performance in phase 1**, which would give Lebanese officials and citizens a reference other than the Israeli assessment. (The LAF says it has completed phase 1 and achieved "operational control" of the area, but Israeli officials argue that LAF performance has been inadequate, while the United States has so far offered no judgment on this issue.)
2. **Ask Beirut and the LAF to submit a plan for phase 2 with a realistic but clear deadline** for completion of this stage, along with a clearly defined set of objectives and deliverables.
3. **Process and deliver promised U.S. assistance to the LAF** as soon as possible. This would remove any credible excuse for continuing to postpone phase 2.
4. **Guarantee that the LAF will receive additional U.S. assistance** once disarmament moves forward north of the Litani, with an eye toward the possibility that Hezbollah resistance could make phase 2 more difficult. Benchmarks could be established for sending specified

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<sup>7</sup> <https://english.alarabiya.net/News/middle-east/2025/01/09/lebanon-s-joseph-aoun-to-work-to-ensure-state-has-exclusive-right-to-carry-arms#:~:text=Aoun%20also%20vowed%20that%20he,drug%20trafficking%20and%20money-laundering>.

assistance if certain steps are achieved by certain dates.

5. **President Trump could eventually offer to host President Aoun in Washington once Beirut successfully implements disarmament** or at least makes serious advances. Conversely, if Lebanese military units do not expand their activities north of the Litani soon, Washington should be prepared to suspend aspects of U.S. security assistance to the LAF and signal that continued stalling would put the entire assistance package in danger of cancellation.

### **Hezbollah's Economic Infrastructure and the Cash Economy**

Since Lebanon's hard default in 2020, the banking sector has been replaced by a few cash companies, providing financial services to the people but also allowing Hezbollah's illicit shadow economy to flourish. It was easier to monitor, track, and target illicit financing via the banking sector, but the cash economy, estimated at around \$18 billion USD,<sup>8</sup> is becoming harder to monitor. An uncontrolled parallel economy provides Hezbollah with the needed tools and environment for its own economy to flourish.

In November 2025, the U.S. Treasury Department sanctioned Hezbollah's financial operatives, stressing how Hezbollah's "exploitation of money exchange companies and the cash economy to launder illicit funds threatens the integrity of the Lebanese financial system by blending terror financing with legitimate commerce."<sup>9</sup> The proliferation of cash companies since Lebanon's 2020 financial crisis has also directly contributed to Hezbollah's ability to raise, move, and store funds. Only the Central Bank governor has been targeting the cash economy, via circulars attempting to regulate the sector<sup>10</sup>; however, Lebanon does not have a clear policy or strategy to move in this direction.

Meanwhile, as part of the 2026 budget process, the parliamentary finance committee approved<sup>11</sup> the transfer of roughly \$90 million in reserve funding last December to the Council for South Lebanon to support reconstruction. Previously, the Ministry of Finance transferred \$16.7 million to the council in August, and another \$25 million was proposed for that body in discussions about the draft budget in September. The total funding directed to the council is now approximately \$132 million.

Notorious for corruption, the Council for South Lebanon is the only government entity that is not overseen by the government—instead, it is under the complete control of the Amal movement and Hezbollah. This is one of the main government institutions that needed to be reformed before any money was injected into it, but instead, Lebanon is using it as a channel to indirectly provide Hezbollah and its Shia ally with much-needed funds.

### **Proliferation of Cash and How to Contain It**

Although the sanctioned entities Bayt al-Mal and al-Qard al-Hassan (AQAH) are Hezbollah's core financial institutions, the group has been making extensive use of local money services businesses

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<sup>8</sup> Unofficial figures based on Lebanese government sources and economic experts.

<sup>9</sup> <https://home.treasury.gov/news/press-releases/sb0308>

<sup>10</sup> <https://www.naharnet.com/stories/en/316501-under-us-pressure-lebanon-tightens-screws-on-money-transfers>

<sup>11</sup> <https://thisisbeirut.com.lb/articles/1330809/finance-committee-allocates-90m-to-amal-linked-council>

since the financial crisis, including Whish Money and OMT (Western Union).<sup>12</sup> Whish Money operations are mostly unregulated, function outside formal banking oversight, and are owned by Toufic Koussa and Shahwan Mouawad, both associated with Hezbollah allies. Whish Money is operating under an informal agreement with Lebanese authorities enabling it to act as a collection agent for various public sector dues (e.g., tax payments and utility bills) settled in Lebanese pounds (LBP). The collected LBP funds are exchanged for USD on the black market on behalf of Hezbollah or affiliated networks.

Hezbollah also relies on individuals operating outside the formal financial system to conduct currency exchange and transfers. And after U.S. sanctions against Cytrex SAL (a major financial services company previously involved in dollar transfers) in October 2020, Hezbollah created new illegal financial networks to facilitate bulk cash transactions.

Another source of cash is a network of businesses that Hezbollah runs across the country, often registered under non-Hezbollah members who are trusted by the group. Most of these companies—which include construction firms, telecommunications firms, gas stations, supermarkets, and the pharmaceutical sector—are fronts for laundering funds. Telecommunications and tech companies also act as a channel to import equipment for surveillance and military use, mostly drone manufacturing.<sup>13</sup>

For example, Amhaz Original is a new Hezbollah-affiliated tech company that imports phones to Lebanon. In 2014, businessman Kamal Amhaz was sanctioned<sup>14</sup> for selling drones to Syria. But he later created new companies with his family like Amhaz Original, and sources in Lebanon allege that shipments brokered by this firm include items necessary for drone manufacturing. Moreover, profits from all the above are channeled back into Hezbollah’s military spending.

More effort should be made to target Hezbollah’s infiltration into the cash economy, restore trust in the banking sector, implement overarching financial and economic reforms, and cut the group’s cash flows. Moving the cash back into the formal system is critical, as it enhances transparency in cash movements:

1. **Issue U.S. Treasury Department warnings or advisories** to the cash companies facilitating Hezbollah’s shadow economy and illicit finances, with sanctions as the consequence for noncompliance.
2. **Ensure that sanctions target the officials and individuals helping Hezbollah** raise, move, and store funds.
3. **Communicate clearly to the Lebanese government that reforms should be comprehensive**, directed at all state entities (such as the Council for South Lebanon), the judicial system (to preserve financial accountability), and Customs (to limit smuggling).
4. **Make sure all actors implicated in the financial collapse are held accountable**. In addition to the banking sector (which is now the focus of the government and the IMF reform plan),<sup>15</sup> corrupt political figures and Hezbollah, who siphoned billions of USD from the Central Bank before the crisis, should be held accountable. Critics of the IMF plan also believe

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<sup>12</sup> <https://www.washingtoninstitute.org/policy-analysis/cash-cabal-how-hezbollah-profits-lebanons-financial-crisis>

<sup>13</sup> Based on interviews conducted with financial experts in Lebanon.

<sup>14</sup> <https://home.treasury.gov/news/press-releases/jl2562>

<sup>15</sup> <https://www.washingtoninstitute.org/policy-analysis/imfs-lebanon-framework-balancing-state-debt-depositor-rights>

that shifting some of Lebanon's bad debt onto the banking sector could give Hezbollah financial oxygen.<sup>16</sup>

## Upcoming Election and the Politics of Peace

The upcoming parliamentary election, due in May, is a challenging crossroads for Hezbollah, especially given the blows the group has taken due to changed regional dynamics and the embattled Iranian regime. Hezbollah has already lost allies in Syria and Venezuela and could lose Iran as well, so this election will likely determine the group's survival or demise. Hezbollah's goals are to win the twenty-seven Shia-designated seats in the legislature (thereby securing its choice for the next speaker of parliament) and gain spots for as many of its allies as possible (in order to have a say in the formation of the next government and maintain key security and financial appointments).

Although Hezbollah faces major challenges, it does have a plan:

- 1. Use the threat of its arms internally, mainly within the Shia community, to silence dissent and coerce Shia votes.** Hezbollah is aware of the growing discontent within the Shia community due to the lack of compensation and reconstruction, but preserving its power and weapons is currently more important than Shia loyalty.
- 2. Make sure no disarmament effort advances before the election while still avoiding confrontation with the LAF,** which could lead to more criticism from the Lebanese public and the Shia community. The group is threatening civil war in case of confrontation, but it cannot afford this scenario without a proper command structure and the support of the Shia community, neither of which it has.
- 3. Make new allies within the Sunni street,** which is currently leaderless, extremely impoverished, and therefore vulnerable to political shifts and radicalization. Hezbollah's alliance with al-Jamaa al-Islamiyah (the Lebanese branch of the Muslim Brotherhood) has recently strengthened,<sup>17</sup> and their military cooperation during the last confrontation with Israel could turn into an election alliance.
- 4. Continue using action (and inaction) by Speaker Nabih Berri to ensure parliament does not activate tools that could jeopardize its chances in the election.** Thus far, Berri has blocked the diaspora vote law (which would allow the Lebanese diaspora to vote for all 128 members of parliament),<sup>18</sup> as well as the establishment of "mega-center" polling stations<sup>19</sup> (though a law to do exactly this was passed<sup>20</sup> in 2022).

The Trump administration should use every tool in the box to thwart these efforts and ensure the diaspora and the Shia community get to vote freely. Both the diaspora votes and the mega-centers are essential.

To prevent the use of violence before or during the election by Hezbollah and its allies, accountability must be established. For all the assassinations that took place in Lebanon since the civil war until the port explosion in 2020, there has been zero accountability—not a single person has been held responsible for any of these crimes. This is due to the politicization of the Lebanese judicial system.

<sup>16</sup> <https://thisisbeirut.com.lb/articles/1330633/could-the-imfs-debt-plan-for-lebanon-unintentionally-bolster-hezbollah>

<sup>17</sup> <https://www.washingtoninstitute.org/policy-analysis/muslim-brothers-give-hamas-foothold-lebanon>

<sup>18</sup> <https://www.thenationalnews.com/news/mena/2025/10/28/lebanons-diaspora-voting-law-dispute-shuts-down-parliament/>

<sup>19</sup> <https://thisisbeirut.com.lb/articles/1314182/mega-voting-centers-a-comprehensive-guide>

<sup>20</sup> <https://www.nna-leb.gov.lb/en/news/112710/cabinet-approves-adopting-magnetic-card-and-mega-c>

Hezbollah is expected to become violent if the election doesn't go its way; therefore, the judicial system reforms should take place immediately to hold the group responsible.

Hezbollah-affiliated judges and government commissioners have influenced the judiciary processes in Lebanon. Civilians have been tried in military courts, allowing Hezbollah to silence Shia activists and opposition candidates. This not only hurts human rights and democracy in Lebanon, but also runs the risk of helping Hezbollah and its allies win the election—a scenario that would undermine all the accomplishments made since the Israeli military campaign against the group, along with all the peace efforts<sup>21</sup> made by Lebanese people inside and outside the country. Hezbollah-affiliated judges such as Fadi Akiki and Fadi Sawan are notorious for supporting the group and targeting activists and opposition figures.

The United States could also leverage other sanctions during election season. For example, individuals who are trying to undermine disarmament, use violence, and resist political, economic, and judicial reforms should be targeted. It is especially important for Washington to consider sanctioning high-ranking Amal figures or even members of Nabih Berri's family for corruption and/or protecting Hezbollah; this measure is already amply justified under the Treasury Department's Global Magnitsky authority. Berri has made clear that he will side with Hezbollah on every issue, but he has suffered no international consequences for repeatedly supporting a designated terrorist group.

Pressuring Berri could be especially productive as the election approaches. Amal and Hezbollah will need each other even more during the campaign season to guarantee they win all twenty-seven Shia seats. Hezbollah cannot rebuild its military infrastructure without this political and financial infrastructure, so the election is a critical battleground for containing the group.

In addition to sanctioning those who align with Hezbollah, empowering and protecting Shia political alternatives is vital to isolating the party and its weapons from the next government. This could include extending diplomatic support to alternative Shia candidates who are courageous enough to take on Hezbollah and, most important, helping them connect with the non-Hezbollah Shia business community.

Finally, it is important to note that talk of potential peace with Israel is no longer taboo in Lebanon—neither on the official level nor the mainstream media level.<sup>22</sup> This is due to two main factors. First, Hezbollah's military defeat undermined the appeal of the long-dominant “resistance” rhetoric and convinced a broad swath of Lebanese that only peace could end the wars that have pummeled the country for the past four decades. Second, the Trump administration's heavy emphasis on regional peacemaking, evidenced by the president's personal commitment to expanding the Abraham Accords, made the possibility of peace with Israel real and tangible. Of course, Hezbollah and its weapons remain the main obstacle to translating the growing peace narrative into an actual peace deal. However, it is important to start paving the way<sup>23</sup> to peace and prepare for the day after disarmament.

Another obstacle to practical discussions of peace is Lebanon's array of draconian anti-normalization laws, which criminalize any communication between Lebanese citizens and Israelis, whether or not the communication has any national security implications. Abolishing these laws—or at least severely restricting them to legitimate national security cases—would send a powerful message

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<sup>21</sup> <https://www.washingtoninstitute.org/policy-analysis/roadmap-israel-lebanon-peace>

<sup>22</sup> <https://www.memri.org/tv/marcel-ghanem-lebanon-israel-peace-resistance-critique>

<sup>23</sup> <https://www.washingtonpost.com/opinions/2025/11/10/lebanon-israel-peace-negotiations-trump/>

about Lebanon's openness to people-to-people communication, on which a peace movement could be built. It would also have the effect of protecting civil activists committed to pushing back against Hezbollah's forever-war "resistance" narrative. While the current Berri-controlled parliament is unlikely to abolish or amend the laws, the government does have the power to control their enforcement, which it could use to send the appropriate signal.

Implementing a U.S. policy of sticks and carrots to incentivize the easing of Lebanon's anti-normalization laws would be an important move. On the one hand, this could include Treasury and State Department sanctions on Lebanese judicial and law enforcement officials involved in enforcing these laws; on the other hand, it could include certain economic benefits that would come with easing of these laws.